

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$250,337		\$17,205,794	
CASH FUNDS			\$27,727,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$250,337		\$44,932,794	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 519 allocates the Nebraska Education Improvement Fund (lottery funds) in FY2016-17 through FY2026-27. The bill requires the State Department of Education (NDE) and the Coordinating Commission for Postsecondary Education (CCPE) to establish competitive innovation grant programs and provide assistance to students for costs of obtaining credentials for trade occupations that are experiencing shortages of qualified workers. LB 519 establishes a new best practices allowance in the state aid to schools formula and requires the Department of Labor to annually certify a list of trade occupations that are experiencing shortages of qualified workers.

LB 519 provides that programs and activities funded immediately prior to the termination of the Education Innovation Fund and the State Lottery Operation Trust Fund shall be fully replaced with funding from the General Fund based upon budget requests submitted by NDE and CCPE. The following provisions of the bill have a fiscal impact.

Allocation of Nebraska Education Improvement Fund: The bill provides for 40% of the funds in the Nebraska Education Improvement Fund (NEIF) to be allocated to NDE and 40% to CCPE for competitive innovation grants. Grantees for funds from NDE shall be school districts, educational service units (ESU's) or a combination of entities including at least one school district or ESU. Grantees for funds from CCPE shall be a public postsecondary institution or combination of entities that includes at least one public postsecondary institution.

Ten percent of the NEIF shall be allocated to NDE for aid to high school students to assist with postsecondary and certification costs to train for trade occupations in shortage areas. The CCPE shall also receive 10% as aid for students attending community colleges to assist with postsecondary and certification costs associated with training for trade occupations experiencing worker shortages.

LB 519 provides for the NEIF fund to be allocated in this manner for FY2016-17 through FY2026-27. Ten percent of the available balance for any fiscal year is to be retained in the fund and 90% is to be allocated each year. Up to 5% of the fund may be retained for administration by NDE and 5% for administration by CCPE. The table on the following page shows the projected allocation of the NEIF in FY17 and FY18.

	FY2016-17 Estimated	FY2017-18 Estimated
Beginning Balance	\$12,000,000	\$1,200,000
Revenue:		
Lottery Revenue	16,687,000	16,687,000
Interest Income	<u>240,000</u>	<u>24,000</u>
Total Revenue + Begin. Balance	28,927,000	17,911,000
LESS: 10% of Balance to Remain in the Fund	<u>1,200,000</u>	<u>120,000</u>
Available for Allocation	27,727,000	17,791,000
Expenditures:		
Operations - NDE	114,500	117,400
Innovative Competitive Grants - NDE	10,999,200	7,022,480
Postsecondary Ed. Aid/Trade School Certifications - NDE	<u>2,749,800</u>	<u>1,755,620</u>
Total State Department of Education	13,863,500	8,895,500
Operations - CCPE	114,500	117,400
Innovative Competitive Grants - CCPE	10,999,200	7,022,480
Community College Ed. Aid/ Trade School Certifications – CCPE	<u>2,749,800</u>	<u>1,755,620</u>
Total Coordinating Council for Postsecondary Education	13,863,500	8,895,500
Total Expenditures	27,727,000	17,791,000
Ending Balance	\$1,200,000	\$120,000

Best Practices Allowance in the TEEOSA Formula: The bill provides that grant projects which are recommended as best practices by the State Board of Education after receiving a grant for four years may be included in a best practices allowance in the state aid formula. The amount of the allowance shall be based upon 85% of the estimated costs. Allowances in the TEEOSA formula attribute expenditures for a specific purpose to school districts incurring the expenditures. This reduces the amount of basic funding available in the formula which impacts districts in the same comparison group. Generally, the inclusion of an allowance does not significantly affect the amount of overall aid distributed. If allowances are approved by the State Board of Education, they will become effective beginning in FY2020-21.

Department of Labor Expenses: The bill requires the Department of Labor (NDOL) to certify to NDE and CCPE a list of trade occupations that are experiencing shortages of qualified workers on or before December 31 of each year for use in providing assistance to students during the following fiscal year. Since the assistance to students begins in FY2016-17, the department will need to gather the data beginning in FY2015-16.

NDOL indicates the agency does not produce information on shortages by occupation in a statistically sound process that would meet the specification level of a certified shortage. The department indicates the need to survey employers on an annual basis to obtain the necessary information. The estimated general fund fiscal impact to add 2.75 FTE to gather the data is \$250,337 in FY16 and \$256,620 in FY17 and thereafter.

Lottery Funded Activities Transferred to the General Fund: The bill provides that programs funded by the Education Innovation Fund and the Nebraska Opportunity Grant Program (State Lottery Operation Trust Fund) immediately prior to their termination should be fully replaced with funding from the General Fund, provided through the state budgeting process pursuant to budget requests submitted by NDE and CCPE.

The state budgeting process is not complete at this time. The Appropriations Committee has recommended general funds to continue the Military Child Compact in its preliminary budget. The following chart shows the activities that are currently funded with lottery funds that will no longer be funded unless general funds are provided. The projected General Fund impact of \$16.9 million to continue programs is based upon budget requests submitted by NDE and CCPE.

	FY 2015-16 Estimated Lottery Expenditures	FY 2016-17 LB 519 Shift to General Funds
Expenditures:		
Operations - NDE	111,709	111,709
Excellence in Teaching Loan Programs	1,200,000	1,200,000
Distance Ed. Incentives/Equipment*	1,591,200	0
High Ability Learner Aid**	2,342,962	2,342,962
Early Childhood Grants	1,950,000	1,950,000
Military Child. Compact****	10,000	0
ACT Pilot Project*	145,000	0
Bridge Programs***	0	0
Early Childhood Endowment	1,000,000	1,000,000
Reorganization*	1,000,000	0
Career Ed. Programs**	344,503	344,503
Nebraska Opportunity Grants	<u>10,000,000</u>	<u>10,000,000</u>
Total Expenditures	\$19,695,374	\$16,949,174

*NDE did not request funding to continue these programs

**NDE requested an increased level of funding for these programs (\$6 million HAL, \$500,000 Career Ed. Progs.)

***NDE requested \$400,000 of general funds to continue bridge programs in FY16 & FY17

****Appropriations Committee has included general funds for the compact in its preliminary recommendation

Summary: The estimated general fund fiscal impact of LB 519 is \$250,337 in FY16 and \$256,620 in FY17 for the NDOL to provide a list of trade occupations that are experiencing a shortage of workers. Since funding has not been provided elsewhere in the state budgeting process to continue the majority of programs funded by lottery funds in FY16, the bill has an estimated \$16,949,174 general fund fiscal impact to shift the other programs currently funded by the lottery to general funds. The amount is based upon requests by NDE and CCPE (at a continuation level of funding). Lottery funds in the amount of \$27,727,000 will be allocated in FY2016-17 for administration and aid for innovative competitive programs and assistance to students training for jobs in shortage areas.

Technical Notes: The \$27.7 million of grants provided in FY17 cannot be sustained in FY18 so some grants will need to be provided for only a one year period. It is unclear how the 90%/10% allocation of the fund will work in practice due to the uncertainty of the amount of quarterly lottery receipts and the cash flow of such.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB:519	AM:	AGENCY/POLT. Department of Education
REVIEWED BY: James Van Bruggen	DATE: 2/26/2015	PHONE: 471-4179
COMMENTS: Concur with the Department of Education's assessment.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:519	AM:	AGENCY/POLT. Coordinating Commission for Postsecondary Education	
REVIEWED BY: James Van Bruggen		DATE: 2/3/2015	PHONE: 471-4179
COMMENTS: LB 519 does create additional duties and does provide funding sources for the Coordinating Commission for Postsecondary Education.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:519	AM:	AGENCY/POLT. Nebraska Department of Labor	
REVIEWED BY: James Van Bruggen		DATE: 2/2/2015	PHONE: 471-4179
COMMENTS: I concur with the Department of Labor's assessment.			

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2015

LB⁽¹⁾ 519

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Dept of Education

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 1/28/15

Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	\$10,540,984	_____
CASH FUNDS	_____	_____	(\$3,016,733)	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	\$7,524,251	=====

Explanation of Estimate:

LB 519 shifts the Education Innovation Fund activities to general funds (\$10,540,984) and creates two programs with proceeds from the Nebraska Education Improvement Fund. The first program is for competitive innovation grants (\$6,019,401) and the second is to assist high school students with postsecondary and certification costs associated with trade occupations that are experiencing shortages of qualified workers (\$1,504,850).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	\$376,212
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	\$7,148,039
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	\$7,524,251

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2015

LB⁽¹⁾ 519

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Coordinating Commission for Postsecondary Education

Prepared by: ⁽³⁾ Gary Timm

Date Prepared: ⁽⁴⁾ 1/28/15

Phone: ⁽⁵⁾ 471-0020

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$52,550</u>	<u> </u>	<u>\$37,950</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$52,550</u>	<u>\$0</u>	<u>\$37,950</u>	<u>\$0</u>

Explanation of Estimate:

The Nebraska Opportunity Grant (NOG) program is the statewide aid program for low-income students attending a Nebraska postsecondary institution. The NOG program is funded from approximately \$6.7 million in General fund money and \$10 million in State Lottery Operation Trust (Lottery) Fund money. As of June 30, 2016, current statute will remove the Lottery fund money from this program and transfer the balance in the NOG Fund to the Nebraska Education Improvement Fund. Section 1(3)(d) of this bill would maintain the current overall funding level of the NOG program with funding coming entirely from the General fund. There is no fiscal impact to the Commission related to this section of the bill.

LB519 also creates two new programs to be administered by the Commission with funding from the Nebraska Education Innovation Fund. As outlined in Section 3, the first program would receive 40% or approximately \$6 million based on FY2013-14 Lottery distribution amounts, from the Nebraska Education Innovation Fund to establish a competitive innovation grant program for public postsecondary education institutions. This grant program would necessitate the Commission to write rules and regulations for operation of the program. One-time costs for rules and regulations - \$500 for notice of hearing in the Omaha World-Herald, \$200 for travel for two Commissioners to hold the public hearing, and \$100 for copies and staff travel. This program would also require the Commission to provide administrative support, including awarding and monitoring of the grants and preparing and issuing reports on the outcome of the grants. The Commission estimates a .25 FTE would be necessary to perform these additional duties and would include purchase of computer and telephone equipment (50% of \$1,000 equipment and 50% of \$100 monthly connection charges shared with position created in Section 5). Section 3 allows no more than 5% of the funds received to be retained for administration of the grant program.

As outlined in Section 5, the second program would receive 10% or approximately \$1.5 million from the Nebraska Education Innovation Fund to provide assistance to community college students for postsecondary education and certification costs. This grant program would necessitate the Commission to write rules and regulations for operation of the program. Costs for rules and regulations - \$500 for notice of hearing in the Omaha World-Herald, \$200 for travel for two Commissioners to hold the public hearing, and \$100 for copies and staff travel. This program would also include administrative duties associated with awarding and monitoring of the grant and preparing and issuing reports on the outcome of the grants awarded from this program. The Commission estimates a .25 FTE would be necessary to perform these additional duties and would include purchase of computer and telephone equipment (50% of \$1,000 equipment and 50% of \$100 monthly connection charges shared with position created in Section 3). Section 5 allows no more than 5% of the funds received to be retained for administration of the grant program.

In order to implement the aid program created in Section 5, the Commission would develop an on-line application and tracking process. The Commission believes the process would be similar to an existing program and costs associated with adopting this application for this new program compared to developing a new program would offer some savings. Programming and hosting costs for a web-based application are estimated at \$15,000 for the first year. Ongoing maintenance and hosting costs are estimated at \$2,000 for the second and subsequent years.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
<u>Financial Aid/Grant Coordinator</u>	<u>.50</u>	<u>.50</u>	<u>\$25,000</u>	<u>\$25,750</u>
<u>Benefits.....</u>			<u>\$8,750</u>	<u>\$9,000</u>
<u>Operating.....</u>			<u>\$17,800</u>	<u>\$3,200</u>
<u>Travel.....</u>				
<u>Capital outlay.....</u>			<u>\$1,000</u>	
<u>Aid.....</u>				
<u>Capital improvements.....</u>				
<u>TOTAL.....</u>			<u>\$52,550</u>	<u>\$37,950</u>

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 519

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Labor

Prepared by: ⁽³⁾ Phil Baker Date Prepared: ⁽⁴⁾ 1-29-2015 Phone: ⁽⁵⁾ 402-471-9964

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>250,337.00</u>	<u> </u>	<u>256,620.00</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>250,337.00</u>	<u> </u>	<u>256,620.00</u>	<u> </u>

Explanation of Estimate: Nebraska Department of Labor (NDOL) does not produce information on shortages by occupation in a statistically sound process that would meet the specification level of a certified shortage. In order to provide a certified list and accompanying information of trade occupations that are experiencing a shortage of qualified workers and include specific coursework, certifications, or other postsecondary credentials sought by employers, NDOL will need to survey employers. There are 12,000 businesses that fall into an industry category that would have a high level of trade occupations. The survey will need to gather the trade occupations where the employer has shortages and collect the course work, certifications or other postsecondary credentials the employer requires for the occupation. Since job shortages change frequently, this will need to be an annual survey. NDOL will need to gather enrollment and graduation information in order to determine if there will be a shortage in the upcoming year. The fiscal note only addresses providing the data at a state level. The costs would increase if NDOL needs to report at a community level. The bill could cause NDOL issues in meeting required federal response rate requirements for the Occupational Employment and Wage Survey. This fiscal note does not take into account providing outcome reports for students trained in the shortage trade occupations.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Research Analyst I	<u>1.00</u>	<u>1.00</u>	<u>34,278.00</u>	<u>35,050.00</u>
Research Analyst II	<u>.50</u>	<u>.50</u>	<u>20,665.00</u>	<u>21,130.00</u>
Research Supervisor	<u>.15</u>	<u>.15</u>	<u>7,407.00</u>	<u>7,573.00</u>
Staff Assistant I	<u>1.10</u>	<u>1.10</u>	<u>39,651.00</u>	<u>40,543.00</u>
Total Salaries	<u>2.75</u>	<u>2.75</u>	<u>102,001.00</u>	<u>104,296.00</u>
Benefits.....			<u>37,413.00</u>	<u>38,255.00</u>
Operating.....			<u>110,923.00</u>	<u>114,069.00</u>
Travel.....			<u> </u>	<u> </u>
Capital outlay.....			<u> </u>	<u> </u>
Aid.....			<u> </u>	<u> </u>
Capital improvements.....			<u> </u>	<u> </u>
TOTAL.....			<u>250,337.00</u>	<u>256,620.00</u>